

**CLINTON COUNTY
SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2017**

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October 27, 2017

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Clinton County School District
Albany, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Clinton County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton County School District as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of the district's proportionate share of net pension liabilities on Pages 4 through 10 and 42 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clinton County School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, statement of receipts, disbursements and fund balance – High School Activity Fund and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2017, on our consideration of Clinton County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clinton County School District's internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

CLINTON COUNTY SCHOOL DISTRICT – ALBANY, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017

The discussion and analysis of Clinton County School District’s financial performance provides an overall review of the School District’s financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to review the School District’s financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District’s financial performance.

The Management’s Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in the Statement No. 34 *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments* issued in June 1999.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$833,192. This reflects an increase in cash from 2016 of \$202,974. This increase in cash is largely attributable to the District’s revised financial positions including staffing and expenditures.
- The general fund had an increase in fund balance of \$105,611 for the year. All governmental funds combined had an increase in fund balance of \$264,837 for the year.
- The food service fund ended the school year with an increase in net position of \$75,489. This is attributable to increased student participation in both the breakfast and lunch programs.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. There is a state mandated uniform accounting system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. The proprietary funds are our food service operation. The only fiduciary funds are agency funds. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 - 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 – 41 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$9,986,246 as of June 30, 2017.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that is outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Net Assets for the periods ending June 30, 2017 and 2016
(Table 1)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2017</u>	<u>2016 Restated</u>	<u>2017</u>	<u>2016 Restated</u>	<u>2017</u>	<u>2016 Restated</u>
Current and Other Assets	\$ 1,237,474	1,010,861	125,450	100,661	1,362,924	1,111,522
Capital Assets	<u>21,948,068</u>	<u>22,623,984</u>	<u>201,281</u>	<u>133,848</u>	<u>20,517,925</u>	<u>22,757,832</u>
Total Assets	<u>23,185,542</u>	<u>23,634,845</u>	<u>326,731</u>	<u>234,509</u>	<u>21,880,849</u>	<u>23,869,354</u>
Deferred Outflows	<u>1,749,100</u>	<u>1,073,231</u>	<u>282,186</u>	<u>130,917</u>	<u>2,031,286</u>	<u>1,204,148</u>
Current Liabilities	1,375,581	1,335,550	1,450	1,259	1,377,031	1,336,809
Non-Current Liabilities	<u>12,826,597</u>	<u>13,278,164</u>	<u>821,390</u>	<u>705,498</u>	<u>13,647,987</u>	<u>13,983,662</u>
Total Liabilities	<u>14,202,178</u>	<u>14,613,714</u>	<u>822,840</u>	<u>706,757</u>	<u>15,025,018</u>	<u>15,320,471</u>
Deferred Inflows	<u>448,376</u>	<u>181,331</u>	<u>83,919</u>	<u>32,000</u>	<u>532,295</u>	<u>213,331</u>
Net Position						
Investment in capital assets (net of debt)	12,981,475	13,168,143	201,281	133,848	11,551,332	13,301,991
Restricted	180,289	54,191	(499,123)	(507,179)	(318,834)	(452,988)
Unrestricted	<u>(2,877,676)</u>	<u>(3,309,303)</u>	<u>0</u>	<u>0</u>	<u>(2,877,676)</u>	<u>(3,309,303)</u>
Total Net Position	<u>10,284,088</u>	<u>9,913,031</u>	<u>(297,842)</u>	<u>(373,331)</u>	<u>8,354,822</u>	<u>9,539,700</u>

Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2017, net of interfund transfers and bond proceeds, were \$20,200,225.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending total actual balance being \$71,833 more than budgeted or approximately 0.5%.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending total actual balance being \$533,101 less than budget or approximately 3.6%.

**Summary of Changes in Net Position for the periods ending June 30, 2017 and 2016
(Table 2)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
REVENUES:						
Program revenues:						
Charges for Services	-	-	112,286	105,620	112,286	105,620
Operating grants and contributions	3,294,561	3,354,897	1,523,257	1,354,967	4,817,818	4,709,864
Capital grants and contributions	30,689	198,616	-	-	30,689	198,616
General revenues:						
Property taxes	1,789,962	1,839,601	-	-	1,789,962	1,839,601
Motor vehicle taxes	407,380	317,042	-	-	407,380	317,042
Utility taxes	739,731	704,562	-	-	739,731	704,562
Other taxes	8,131	16,096	-	-	8,131	16,096
Investment earnings	11,733	11,388	407	142	12,140	11,530
State and formal grants	11,647,958	11,464,462	-	-	11,647,958	11,464,462
Gain (loss) on asset disposal	(12,578)	(8,571)	-	-	(12,578)	(8,571)
Miscellaneous	706,093	345,399	(59,385)	(52,913)	646,708	292,486
Total Revenues	<u>18,623,660</u>	<u>18,243,492</u>	<u>1,576,565</u>	<u>1,407,816</u>	<u>20,200,225</u>	<u>19,651,308</u>
EXPENSES:						
Program Activities:						
Instruction	11,572,138	11,601,372	-	-	11,572,138	11,601,372
Student Support	1,190,668	957,098	-	-	1,190,668	957,098
Instructional staff support	268,250	273,053	-	-	268,250	273,053
District administrative support	595,981	459,913	-	-	595,981	459,913
School administrative support	1,114,816	1,079,866	-	-	1,114,816	1,079,866
Business support	211,203	217,795	-	-	211,203	217,795
Plant operation and maintenance	1,776,329	1,703,211	-	-	1,776,329	1,703,211
Student transportation	1,107,826	1,091,060	-	-	1,107,826	1,091,060
Community service activities	222,602	232,911	-	-	222,602	232,911
Interest cost	191,865	344,437	-	-	191,865	344,437
Business-type Activities:						
Food service	925	-	1,501,076	1,346,769	1,502,001	1,346,769
Total Expenses	<u>18,252,603</u>	<u>17,960,716</u>	<u>1,501,076</u>	<u>1,346,769</u>	<u>19,753,679</u>	<u>19,307,485</u>
Change in Net Position	<u>371,057</u>	<u>282,776</u>	<u>75,489</u>	<u>61,047</u>	<u>446,546</u>	<u>343,823</u>

Governmental Activities

Instruction comprises 63% of governmental program expenditures. Support services make up 35% of government expenses. Interest costs and other account for the remaining 2%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Cost of Governmental Activities
(Table 3)**

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	11,572,138	11,601,372	8,849,227	8,908,746
Support Services	6,265,998	5,781,996	5,911,003	5,345,520
Other	222,602	232,911	5,947	9,356
Interest Costs	191,865	344,437	161,176	143,581
Total Expenses	18,252,603	17,960,716	14,927,353	14,407,203

Business-Type Activities

The business-type activity is the food service operation. This program had total revenue of \$1,635,543 and expenses of \$1,576,565 for fiscal year 2017. Of the revenues, \$112,286 was charges for services, and \$1,523,257 was from State and Federal grants. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$19,755,956 and expenditures and other financing uses of \$19,491,119.

General Fund-Budget Highlights

The School District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process. It is the District's practice to not include state on-behalf payments in the budget.

Capital Assets and Debt Administration
Capital Assets

At the end of fiscal year 2017 the School District had \$22,149,349 invested in land, buildings, equipment, and vehicles. Table 4 shows fiscal year 2017 and 2016 balances.

Capital Assets at June 30, 2017 and 2016
Net of Depreciation
(Table 4)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016 Restated	2017	2016 Restated	2017	2016 Restated
Land	6,217,854	6,217,854	-	-	6,217,854	6,217,854
Buildings and improvements	13,274,409	13,668,297	-	-	13,274,409	13,668,297
Technology	424,092	327,863	1,205	1,608	425,297	329,471
Vehicles	504,662	622,201	-	-	504,662	622,201
General equipment	1,527,051	1,787,769	200,076	132,240	1,727,127	1,920,009
Total	21,948,068	22,623,984	201,281	133,848	22,149,349	22,757,832

Changes in Capital Assets for the periods ended June 30, 2017 and 2016
(Table 5)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016 Restated	2017	2016 Restated	2017	2016 Restated
Beginning Balance	22,623,984	23,062,135	133,848	120,629	22,757,832	23,182,764
Additions	313,463	580,649	104,760	41,021	418,223	621,670
Retirements	(12,577)	(140,868)	(603)	0	(13,180)	(140,868)
Depreciation	(976,802)	(877,932)	(36,724)	(27,802)	(1,013,526)	(905,734)
Ending Balance	21,948,068	22,623,984	201,281	133,848	22,149,349	22,757,832

Debt

At June 30, 2017, the School District had \$8,240,000 in bonds outstanding; of this amount \$1,384,124 is to be paid from the KSFCC funding provided by the State of Kentucky. Principal and interest totaling \$921,143 are due within one year.

District Challenges for the Future

Clinton County School District continues to be financially sound. However, the current state and national financial climate requires the District to remain prudent. The District has been required to provide financial support for unfunded mandates imposed by the state and federal government. Also, the state administered employee pension plans continue to be underfunded. This places a large possible future liability on all Kentucky School Districts.

Clinton County Schools will continue to use careful planning and monitoring of finances to provide a quality education for students and a secure financial future for the school district.

Future Budgetary Implications

In Kentucky, the public schools' fiscal year is July 1 – June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2016 – 2017 with a contingency greater than the required minimum of 2%.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Mike Reeves, Director of Finance, 2353 Business 127 North, Albany, Kentucky, 42602, (606) 387-6480.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	754,268	78,924	833,192
Accounts Receivable:			
Taxes - Current	175,499		175,499
Taxes - Delinquent	6,641		6,641
Accounts	39,847	24,582	64,429
Intergovernmental - State	64,655		64,655
Intergovernmental - Federal	196,564		196,564
Inventories for Consumption		21,944	21,944
Total Current Assets	1,237,474	125,450	1,362,924
Noncurrent Assets - Note G			
Land	6,217,854		6,217,854
Buildings & Improvements	21,289,711		21,289,711
Furniture & Equipment	9,026,459	724,176	9,750,635
Less: Accumulated Depreciation	(14,585,956)	(522,895)	(15,108,851)
Total Noncurrent Assets	21,948,068	201,281	22,149,349
TOTAL ASSETS	23,185,542	326,731	23,512,273
Deferred Outflows Related to Pensions	1,444,106	282,186	1,726,292
Deferred Outflows from Advanced Bond Refundings	304,994		304,994
TOTAL ASSETS AND DEFERRED OUTFLOWS	24,934,642	608,917	25,543,559
LIABILITIES:			
Current Liabilities:			
Accounts Payable	121,235	1,450	122,685
Accrued Salaries & Sick Leave - Note A	77,373		77,373
Advances from Grantors	245,475		245,475
KSBIT Assessment - Note T	10,104		10,104
Bond Obligations - Note D	695,000		695,000
Capital Lease Obligation - Note E	133,921		133,921
Accrued Interest Payable	92,473		92,473
Total Current Liabilities	1,375,581	1,450	1,377,031
Noncurrent Liabilities:			
Bond Obligations - Note D	7,545,000		7,545,000
Unamortized Bond Premiums	46,661		46,661
Capital Lease Obligation - Note E	592,672		592,672
Net Pension Liability	4,533,007	821,390	5,354,397
Accrued Sick Leave - Note A	109,257		109,257
Total Noncurrent Liabilities	12,826,597	821,390	13,647,987
TOTAL LIABILITIES	14,202,178	822,840	15,025,018
Deferred Inflows Related to Pensions	448,376	83,919	532,295
TOTAL LIABILITIES AND DEFERRED INFLOWS	14,650,554	906,759	15,557,313
NET POSITION:			
Net Investment in Capital Assets	12,981,475	201,281	13,182,756
Restricted for:			
Capital Projects	21,063		21,063
School Activities	159,226		159,226
Food Service		(499,123)	(499,123)
Unrestricted	(2,877,676)		(2,877,676)
TOTAL NET POSITION	10,284,088	(297,842)	9,986,246
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	24,934,642	608,917	25,543,559

See independent auditor's report and accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING	CAPITAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
			GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS			
GOVERNMENTAL ACTIVITIES:							
Instructional	11,572,139		2,722,911		(8,849,228)		(8,849,228)
Support Services:							
Student Support Services	1,190,668		122,195		(1,068,473)		(1,068,473)
Staff Support Services	268,250		137,187		(131,063)		(131,063)
District Administration	595,981				(595,981)		(595,981)
School Administration	1,114,816				(1,114,816)		(1,114,816)
Business Support Services	211,203				(211,203)		(211,203)
Plant Operation & Maintenance	1,776,329		45,395		(1,730,934)		(1,730,934)
Student Transportation	1,107,826		50,218		(1,057,608)		(1,057,608)
Food Service	925				(925)		(925)
Community Service Operations	222,602		216,655		(5,947)		(5,947)
Interest on Long-Term Debt	191,865			30,689	(161,176)		(161,176)
TOTAL GOVERNMENTAL ACTIVITIES	18,252,604	0	3,294,561	30,689	(14,927,354)		(14,927,354)
BUSINESS-TYPE ACTIVITIES:							
Food Service	1,501,076	112,286	1,523,257			134,467	134,467
TOTAL BUSINESS-TYPE ACTIVITIES	1,501,076	112,286	1,523,257	0	0	134,467	134,467
TOTAL SCHOOL DISTRICT	19,753,680	112,286	4,817,818	30,689	(14,927,354)	134,467	(14,792,887)
GENERAL REVENUES:							
Taxes:							
Property					1,789,962		1,789,962
Motor Vehicle					407,380		407,380
Utility					739,731		739,731
Other					8,131		8,131
State Aid - Formula Grants					11,647,958		11,647,958
Investment Earnings					11,733	407	12,140
Miscellaneous					646,708		646,708
SPECIAL ITEMS:							
Funds Transfer (Expense)					59,385	(59,385)	0
Gain(Loss) Sale of Assets					(12,577)		(12,577)
TOTAL GENERAL & SPECIAL					15,298,411	(58,978)	15,239,433
CHANGE IN NET POSITION					371,057	75,489	446,546
NET POSITION - BEGINNING OF YEAR, AS RESTATED - NOTE R					9,913,031	(373,331)	9,539,700
NET POSITION - ENDING					10,284,088	(297,842)	9,986,246

See independent auditor's report and accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash & Cash Equivalents	521,450	47,701		185,117	754,268
Accounts Receivable:					
Taxes - Current	175,499				175,499
Taxes - Delinquent	6,641				6,641
Accounts	38,347			1,500	39,847
Intergovernmental - State		64,655			64,655
Intergovernmental - Federal		196,564			196,564
TOTAL ASSETS	<u>741,937</u>	<u>308,920</u>	<u>0</u>	<u>186,617</u>	<u>1,237,474</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	51,462	63,445		6,328	121,235
Advances from Grantors		245,475			245,475
Total Liabilities	<u>51,462</u>	<u>308,920</u>	<u>0</u>	<u>6,328</u>	<u>366,710</u>
Fund Balance:					
Restricted for:					
Capital Projects				21,063	21,063
School Activities				159,226	159,226
Committed for:					
Accrued Sick Leave	77,373				77,373
Unassigned Fund Balance	613,102				613,102
Total Fund Balance	<u>690,475</u>	<u>0</u>	<u>0</u>	<u>180,289</u>	<u>870,764</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>741,937</u>	<u>308,920</u>	<u>0</u>	<u>186,617</u>	<u>1,237,474</u>

See independent auditor's report and accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:

TOTAL GOVERNMENTAL FUND BALANCE		870,764
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	36,534,024	
Accumulated Depreciation	<u>(14,585,956)</u>	21,948,068
Deferred Outflows on Bond Refundings are not a current asset and therefore are not reported as assets in governmental funds.		304,994
Deferred Outflows Related to Pensions are not a current asset and therefore are not reported as assets in governmental funds.		1,444,106
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds Payable	(8,240,000)	
Unamortized Bond Premiums	(46,661)	
Capital Lease Obligation	(726,593)	
Accrued Interest on Bonds	(92,473)	
KSBIT Assessment	(10,104)	
Net Pension Liability	(4,533,007)	
Accrued Sick Leave	<u>(186,630)</u>	(13,835,468)
Deferred Inflows Related to Pensions are not a current liabilities and therefore are not reported as liabilities in governmental funds.		<u>(448,376)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>10,284,088</u></u>

See independent auditor's report and accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes:					
Property	1,540,294			249,668	1,789,962
Motor Vehicle	407,380				407,380
Utility	739,731				739,731
Other	8,131				8,131
Earnings on Investments	11,517	216			11,733
Intergovernmental - State	10,983,281	1,376,856	179,645	515,721	13,055,503
Intergovernmental - Federal	49,412	1,868,293			1,917,705
Other Sources	268,488	101,655		276,565	646,708
TOTAL REVENUES	14,008,234	3,347,020	179,645	1,041,954	18,576,853
EXPENDITURES:					
Instructional	8,417,228	2,792,016		117,339	11,326,583
Support Services:					
Student Support Services	1,050,659	125,296			1,175,955
Staff Support Services	122,203	140,669			262,872
District Administration	586,888				586,888
School Administration	1,098,652				1,098,652
Business Support Services	219,084				219,084
Plant Operation & Maintenance	1,408,408	46,547			1,454,955
Student Transportation	929,659	51,492			981,151
Community Service Operations		222,154			222,154
Debt Service:					
Principal	15,257		846,115		861,372
Interest	789		216,379		217,168
TOTAL EXPENDITURES	13,848,827	3,378,174	1,062,494	117,339	18,406,834
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	159,407	(31,154)	(882,849)	924,615	170,019
OTHER FINANCING SOURCES(USES):					
Capital Lease Financing	35,433				35,433
Operating Transfers In - Note O	228,117	32,704	882,849		1,143,670
Operating Transfers Out - Note O	(317,346)	(1,550)		(765,389)	(1,084,285)
TOTAL OTHER FINANCING SOURCES	(53,796)	31,154	882,849	(765,389)	94,818
NET CHANGE IN FUND BALANCES	105,611	0	0	159,226	264,837
FUND BALANCES - BEGINNING	584,864	0	0	21,063	605,927
FUND BALANCES - ENDING	690,475	0	0	180,289	870,764

See independent auditor's report and accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:

NET CHANGES - GOVERNMENTAL FUNDS		264,837
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.		
Depreciation Expense	(976,802)	
Capital Outlays	<u>313,463</u>	(663,339)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Bond Principal Paid	695,000	
Capital Lease Principal Paid	166,372	
Capital Lease Financing	<u>(35,433)</u>	825,939
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Amortization-Deferred Outflows on Advanced Bond Refundings	(26,372)	
Amortization - Bond Premiums	4,745	
District Pension Contributions	299,204	
Cost of Benefits Earned Net of Employee Contributions	(399,193)	
Accrued Interest Payable	46,930	
KSBIT Assessment	10,105	
Accrued Sick Leave	<u>20,778</u>	(43,803)
In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.		
Loss - Sale of Assets		<u>(12,577)</u>
CHANGES - NET POSITION GOVERNMENTAL FUNDS		<u><u>371,057</u></u>

See independent auditor's report and accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	<u>ENTERPRISE FUNDS</u>
	<u>FOOD SERVICE</u>
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	78,924
Accounts Receivable	24,582
Inventories for Consumption	21,944
Total Current Assets	<u>125,450</u>
Noncurrent Assets:	
Furniture & Equipment	724,176
Less: Accumulated Depreciation	<u>(522,895)</u>
Total Noncurrent Assets	<u>201,281</u>
TOTAL ASSETS	<u><u>326,731</u></u>
Deferred Outflows Related to Pensions	<u>282,186</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>608,917</u></u>
LIABILITIES:	
Current Liabilities:	
Account Payable	1,450
Total Current Liabilities	<u>1,450</u>
Noncurrent Liabilities:	
Net Pension Liability	<u>821,390</u>
Total Noncurrent Liabilities	<u>821,390</u>
TOTAL LIABILITIES	<u><u>822,840</u></u>
Deferred Inflows Related to Pensions	<u>83,919</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u><u>906,759</u></u>
Net Position:	
Net Investment in Capital Assets	201,281
Restricted	<u>(499,123)</u>
Total Net Position	<u>(297,842)</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>608,917</u></u>

See independent auditor's report and accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>ENTERPRISE FUNDS</u>
	<u>FOOD SERVICE</u>
OPERATING REVENUES:	
Lunchroom Sales	112,286
TOTAL OPERATING REVENUES	<u>112,286</u>
OPERATING EXPENSES:	
Salaries & Benefits	704,162
Contract Services	7,969
Materials & Supplies	752,221
Depreciation - Note F	36,724
TOTAL OPERATING EXPENSES	<u>1,501,076</u>
OPERATING INCOME(LOSS)	(1,388,790)
NONOPERATING REVENUES(EXPENSES):	
Transfer Out to General Fund	(59,385)
Federal Grants	1,314,370
State Grants	128,582
Donated Commodities	80,305
Interest Income	407
TOTAL NONOPERATING REVENUE	<u>1,464,279</u>
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	75,489
CAPITAL CONTRIBUTIONS	<u>0</u>
CHANGE IN NET POSITION	75,489
TOTAL NET POSITION - BEGINNING AS RESTATED	<u>(373,331)</u>
TOTAL NET POSITION - ENDING	<u><u>(297,842)</u></u>

See independent auditor's report and accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>FOOD SERVICE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from:	
Lunchroom Sales	112,286
Cash Paid to/for:	
Employees	(568,824)
Supplies	(668,504)
Other Activities	<u>(7,969)</u>
Net Cash Provided (Used) by Operating Activities	(1,133,011)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfer out to General Fund	(59,385)
Federal Grants	1,299,544
State Grants	<u>10,390</u>
Net Cash Provided by Non-Capital and Related Financing Activities	1,250,549
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Equipment	(104,760)
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of Interest Income	<u>407</u>
Net Cash Provided by Investing Activities	407
Net Increase in Cash and Cash Equivalents	13,185
Balances, Beginning of Year	<u>65,739</u>
Balances, End of Year	<u><u>78,924</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Loss	(1,388,790)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities	
Depreciation	36,724
State On-Behalf Payments	118,191
Donated Commodities	80,305
Change in Assets and Liabilities:	
Net Pension Liability	17,147
Inventory	3,221
Accounts Payable	<u>191</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(1,133,011)</u></u>
Schedule of Non-Cash Transactions:	
Donated Commodities	80,305
State On-Behalf Payments	118,191

See independent auditor's report and accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>AGENCY FUND</u>
ASSETS:	
Cash and Cash Equivalents	<u>119,023</u>
TOTAL ASSETS	<u>119,023</u>
LIABILITIES:	
Due to Student Groups	<u>119,023</u>
TOTAL LIABILITIES	<u>119,023</u>
NET POSITION IN TRUST	<u><u>0</u></u>

See independent auditor's report and accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Clinton County Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Clinton County Board of Education (“District”). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Clinton County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Clinton County Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Clinton County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- B. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Nonexchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2017, to finance the General Fund operations were \$0.426 per \$100 valuation for real property, \$0.426 per \$100 valuation for business personal property, and \$0.53 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payable resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Formal School Board action must be taken during an open meeting to establish, modify, or rescind a fund balance commitment.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District committed the following fund balance type by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
General Fund	77,373	Long-Term Sick Leave Commitment

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Revenue	State, Local and Federal Grants

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$952,215. Of the total cash balance, \$250,000 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

Cash and cash equivalents at June 30, 2017, consisted of the following:

	Bank Balance	Book Balance
First & Farmers Bank	1,960,830	952,215
Breakdown per financial statements:		
Governmental Funds		754,268
Proprietary Funds		<u>78,924</u>
Cash per Statement of Net Position		833,192
Agency Funds		<u>119,023</u>
Total Cash		<u>952,215</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Clinton County School District Finance Corporation aggregating \$10,380,000.

The original amount of each issue and interest rates are summarized below:

2005	1,360,000	3.00% - 4.20%
2006	935,000	3.50% - 3.75%
2013	1,505,000	1.00% - 2.00%
2014	2,070,000	1.10% - 3.20%
2016 Refunding	4,510,000	2.00% - 2.75%

The District, through the General Fund (including utility taxes and the SEEK Capital Outlay Fund) is obligated to make bond payments in amounts sufficient to satisfy debt service requirements on bonds issued by Clinton County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1995 the Board entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission's participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice of its intention not to participate not less than sixty days prior to the end of its biennium.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2017, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2017-18	695,000	194,071	175,229	713,843
2018-19	700,000	176,710	164,993	711,717
2019-20	680,000	162,663	130,850	711,813
2020-21	575,000	147,345	130,849	591,496
2021-22	580,000	136,045	130,850	585,194
2022-23	590,000	124,326	130,849	583,477
2023-24	610,000	112,101	130,850	591,251
2024-25	620,000	98,220	130,850	587,370
2025-26	625,000	82,995	122,802	585,193
2026-27	625,000	67,371	95,986	596,385
2027-28	630,000	50,657	87,062	593,595
2028-29	435,000	34,960	63,584	406,376
2029-30	435,000	21,040	63,583	392,457
2030-31	<u>440,000</u>	<u>7,040</u>	<u>42,842</u>	<u>404,198</u>
	<u>8,240,000</u>	<u>1,415,544</u>	<u>1,601,179</u>	<u>8,054,365</u>

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance - Restated	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bond Payable	8,935,000	0	695,000	8,240,000	695,000
Capital Lease Obligations	857,751	35,425	166,583	726,593	133,921
Bond Premium	51,405	0	4,744	46,661	4,745
KSBIT Assessment	20,209	0	10,105	10,104	10,104
Net Pension Liability	3,997,820	535,187	0	4,453,007	0
Accrued Sick Leave	<u>207,409</u>	<u>26,233</u>	<u>47,012</u>	<u>186,630</u>	<u>77,373</u>
Total Governmental Activities:	14,069,594	596,845	923,444	13,662,995	921,143
Proprietary Activities:					
Net Pension Liability	<u>705,498</u>	<u>115,892</u>	<u>0</u>	<u>821,390</u>	<u>0</u>
Total Long-Term Liabilities:	<u>14,775,092</u>	<u>712,737</u>	<u>923,444</u>	<u>14,484,385</u>	<u>921,143</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL LEASE PAYABLE

The District is the lessee of buses under capital leases expiring in various years through 2034. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2017.

The following is a summary of property held under capital leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2017</u>
Buses	1,117,201
Facility	181,000
Bus Radios	<u>35,425</u>
Total	1,333,626
Accumulated Amortization	<u>(602,172)</u>
	<u>731,454</u>

The following is a schedule by years of the future principal payments under capital leases as of June 30, 2017:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2018	160,648
2019	133,806
2020	113,544
2021	92,832
2022	72,219
2023-2027	165,854
2028-2032	62,531
2033-2034	<u>25,012</u>
Net minimum lease payments	826,446
Amount representing interest	<u>(99,853)</u>
Present value of net minimum lease payments	<u>726,593</u>

Interest rates on capitalized leases vary from 1.00% to 4.00%. The capital leases provide for the assets to revert to the District at the end of the respective lease with no further payment for purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land	6,217,854			6,217,854
Depreciable Assets:				
Buildings & Building Improvements - Restated	21,231,544	58,167		21,289,711
Technology Equipment - Restated	1,910,270	194,286	72,219	2,032,337
Vehicles - Restated	2,727,028			2,727,028
General Equipment - Restated	4,227,487	61,010	21,403	4,267,094
TOTAL AT HISTORICAL COST	36,314,183	313,463	93,622	36,534,024
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Building Improvements - Restated	7,563,247	452,055		8,015,302
Technology Equipment - Restated	1,582,407	96,174	70,336	1,608,245
Vehicles - Restated	2,104,827	117,539		2,222,366
General Equipment - Restated	2,439,718	311,034	10,709	2,740,043
TOTAL ACCUMULATED DEPRECIATION	13,690,199	976,802	81,045	14,585,956
GOVERNMENTAL ACTIVITIES CAPITAL NET	22,623,984	(663,339)	(12,577)	21,948,068
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	3,250			3,250
General Equipment - Restated	646,717	104,760	30,551	720,926
TOTALS AT HISTORICAL COST	649,967	104,760	30,551	724,176
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	1,642	403		2,045
General Equipment	514,477	36,321	29,948	520,850
TOTAL ACCUMULATED DEPRECIATION	516,119	36,724	29,948	522,895
PROPRIETARY ACTIVITIES CAPITAL NET	133,848	68,036	(603)	201,281
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				450,875
Student Support Services				7,381
Staff Support Services				4,378
District Administration				7,177
School Administration				6,999
Business Support Services				849
Plant Operation & Maintenance				377,093
Student Transportation				120,677
Food Service				925
Community Service Operations				448
TOTAL				976,802

NOTE G – RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service or 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not Available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Contributions—Required contributions by the employee are based on the tier:

	<u>Required Contributions</u>
Tier 1	5%
Tier 2	5% +1% for insurance
Tier 3	5% +1% for insurance

General information about the Teachers' Retirement System of the State of Kentucky ("TRS")

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.TRS.ky.gov/05_publications/index.htm.

Benefits provided—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.40% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description—In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible employees and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of the CERS net pension liability	\$ 5,354,397
Commonwealth's proportional share of the TRS net pension liability associated with the District	<u>66,499,438</u>
	<u>\$ 71,853,835</u>

The net pension liability for each plan was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2016, the District's proportion was 0.10875% percent.

For the year ended June 30, 2017, the District recognized pension expense of \$582,707 related to CERS and \$1,094,192 related to TRS. The District also recognized revenue of \$1,094,192 TRS support provided by the Commonwealth. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 51,292	\$ -
Changes of assumptions	622,417	-
Net difference between projected and actual earnings on pension plan investments	692,094	234,365
Changes in proportion and differences between District contributions and proportionate share of contributions	-	297,930
District contributions subsequent to the measurement date	<u>360,489</u>	<u>-</u>
Total	<u>\$ 1,726,292</u>	<u>\$ 532,295</u>

\$360,489 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2018	199,524
2019	199,524
2020	177,968
2021	175,956
2022	80,536

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Actuarial assumptions—The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	TRS
Inflation	3.25%	3.50%
Projected salary increases	4.00%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.50%	7.50%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

For TRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2015.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For TRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	100.0%	

Discount rate—For CERS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS, the discount rate used to measure the total pension liability was 4.2%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	6,672,493	5,354,397	4,224,597
TRS	3.2%	4.2%	5.2%
District's proportionate share of net pension liability	0	0	0

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

NOTE H – CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor’s review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected, to be significant. Continuation of the District’s grant programs is predicated upon the grantors’ satisfaction that the funds provided are being spent as intended and the grantors’ intent to continue their programs.

NOTE I – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively related including Workers’ Compensation insurance.

NOTE J – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers’ compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently, the District maintains insurance coverage through Ohio Casualty Insurance Company.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE K – DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Special Revenue	31,154
Debt Service	882,849

NOTE L – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss (contingency).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	32,704
Operating	Special Revenue	General	Indirect Cost	1,550
Operating	General	Debt Service	Debt Service	284,642
Operating	Capital Outlay	General	Operations	155,725
Operating	Building	General	Operations	11,457
Operating	Building	Debt Service	Debt Service	<u>598,207</u>
		Subtotal Governmental Funds Transferred		1,084,285
Operating	Food Service	General Fund	Indirect Costs	<u>59,385</u>
		Total Transferred Funds		<u><u>1,143,670</u></u>

NOTE N – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at June 30, 2017.

NOTE O – SUBSEQUENT EVENTS

Management has reviewed subsequent events through October 27, 2017. There are no material subsequent events to disclose.

NOTE P – ON-BEHALF PAYMENT

For the year ended June 30, 2017, \$3,418,171 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, administrative fees, technology and debt service were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were as follows:

Teachers Retirement System (GASB 68 Schedule A)	\$1,094,192
Health Insurance	2,175,079
Life Insurance	3,458
Administrative Fee	27,497
HRA/Dental/Vision	89,337
Federal Reimbursement	(206,406)
Technology	55,369
SFCC Debt Service Payments	<u>179,645</u>
Total	<u><u>\$3,418,171</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q – KSBIT ASSESSMENT

As of June 30, 2013, Kentucky School Boards Insurance Trust (KSBIT) was disbanded. On January 14, 2013, school districts in Kentucky were notified that if they had been participating members in KSBIT Workers' Compensation Self-Insurance Pool or its Property and Liability Self-Insurance Pool, they would be required to pay an assessment to repay their portion of the losses incurred by KSBIT. The total assessment for all participants is expected to be between \$50 million and \$60 million. As of June 30, 2017, Clinton County School District's remaining assessment is valued at \$10,104. This has been recorded as a long-term liability on the government-wide financial statements. However, the District may be given an additional assessment in the future if KSBIT incurs additional losses as a result of ongoing litigation. The District has elected to pay this assessment according to the following schedule:

<u>Year Ending June 30,</u>	<u>KSBIT Assessment Payable</u>
2018	10,104

NOTE R – NET POSITION, AS RESTATED

Beginning net position of the Governmental Activities was understated by \$1,496,420 and the net position of the Business-Type Activities was understated by \$13,420. Below are the details of the restatement:

	<u>Government Activities</u>	<u>Business-Type Activities</u>
Net Position June 30, 2016	\$ 8,416,611	\$ (386,751)
Add:		
Understatement of Deferred Outflows on Bond Refundings	229,666	0
Understatement of Capital Assets	1,031,439	13,420
Overstatement of Accumulated Depreciation	662,873	0
Less:		
Understatement of Bonds Payable	(235,000)	0
Understatement of Unamortized Bond Premium	(51,405)	0
Understatement of Sick Leave Payable	<u>(141,153)</u>	<u>0</u>
Beginning Net Position, As Restated	<u>\$ 9,913,031</u>	<u>\$ (373,331)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	2,630,000	2,630,000	2,695,536	65,536
Other Local Sources	461,551	448,551	280,005	(168,546)
State Sources	11,017,000	11,017,000	10,983,281	(33,719)
Federal Sources	50,000	50,000	49,412	(588)
Other Sources	54,400	54,400	263,550	209,150
TOTAL REVENUES	14,212,951	14,199,951	14,271,784	71,833
EXPENDITURES:				
Instructional	8,619,438	8,606,438	8,417,228	189,210
Student Support Services	940,416	940,416	1,050,659	(110,243)
Staff Support Services	154,167	154,167	122,203	31,964
District Administration	895,223	895,223	586,888	308,335
School Administration	1,076,351	1,076,351	1,098,652	(22,301)
Business Support Services	219,769	219,769	219,084	685
Plant Operation & Maintenance	1,479,437	1,479,437	1,408,408	71,029
Student Transportation	1,012,831	1,012,831	929,659	83,172
Community Service Operations			0	0
Other	314,642	314,642	333,392	(18,750)
TOTAL EXPENDITURES	14,712,274	14,699,274	14,166,173	533,101
NET CHANGE IN FUND BALANCE	(499,323)	(499,323)	105,611	604,934
FUND BALANCES - BEGINNING	499,323	499,323	584,864	0
FUND BALANCES - ENDING	0	0	690,475	604,934

See independent auditor's report and accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Other Local Sources	138,803	138,803	216	(138,587)
State Sources	1,289,713	1,461,600	1,376,856	(84,744)
Federal Sources	1,874,909	1,897,555	1,868,293	(29,262)
Other Sources	102,175	30,000	134,359	104,359
TOTAL REVENUES	3,405,600	3,527,958	3,379,724	(148,234)
EXPENDITURES:				
Instructional	2,679,808	2,871,449	2,792,016	79,433
Student Support Services	98,620	98,620	125,296	(26,676)
Staff Support Services	149,387	152,279	140,669	11,610
District Administration	8,200	8,200		8,200
School Administration				
Business Support Services				
Plant Operation & Maintenance	99,052	99,052	46,547	52,505
Student Transportation	74,495	74,495	51,492	23,003
Food Service				
Central Office				
Community Service Operations	222,313	222,313	222,154	159
Facility Acquisition & Construction				
Other	73,725	1,550	1,550	0
TOTAL EXPENDITURES	3,405,600	3,527,958	3,379,724	148,234
NET CHANGE IN FUND BALANCE	0	0	0	(0)
FUND BALANCES - BEGINNING	0	0	0	0
FUND BALANCES - ENDING	0	0	0	(0)

See accompanying auditor's report and accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of net pension liability	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	-	-
State of Kentucky's share of the net pension liability associated with the district	<u>\$ 48,774,338</u>	<u>50,775,100</u>	<u>66,499,438</u>
TOTAL	<u>48,774,338</u>	<u>50,775,100</u>	<u>66,499,438</u>
District's covered-employee payroll	\$ 7,517,853	7,864,726	8,018,039
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.60%	42.49%	57.04%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

CLINTON COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of net pension liability	0.117663%	0.109392%	0.108750%
District's proportionate share of the net pension liability	\$ 3,817,442	4,703,318	5,354,397
State of Kentucky's share of the net pension liability associated with the district	-	-	-
TOTAL	<u>\$ 3,817,442</u>	<u>4,703,318</u>	<u>5,354,397</u>
District's covered-employee payroll	\$ 3,112,255	2,616,452	2,584,137
District's proportionate share of the net pension liability as a percentage of its covered-payroll	122.66%	176.76%	207.20%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	63.46%	55.50%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

CLINTON COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contributions (actuarially determined)	\$ 324,753	\$ 317,257	\$ 360,487
Contributions in relation to the actuarially determined contributions	<u>324,753</u>	<u>317,257</u>	<u>360,487</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,112,255	\$ 2,616,452	\$ 2,584,137
Contributions as a percentage of Covered employee payroll	10.43%	12.13%	13.95%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

CLINTON COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 7,517,853	\$ 7,864,726	\$ 8,018,039
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

CLINTON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

The last experience investigation was prepared for the five-year period ending June 30, 2010, and based on the results of an actuarial study and adopted by the board on December 19, 2011.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined total pension liability is calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended June 30, 2017 reported in that schedule:

Valuation Date	June 30, 2016
Inflation	3.50 percent
Salary Increases	3.50 – 8.20 percent
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expense, Including Inflation	7.50 Percent
Municipal Bond Index Rate:	
Prior Measurement Date	3.82 Percent
Measurement Date	3.01 Percent
Year FNP is Projected to be Depleted	2039
Single Equivalent Interest Rate, Net of Pension Plan Investment Expense, Including Inflation:	
Prior Measurement Date	4.88 percent
Measurement Date	4.20 Percent
Post-Retirement Benefit Increases	1.50% annually

CLINTON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

The last experience investigation was prepared for the five-year period ending June 30, 2013, and based on the results of an actuarial study and adopted by the board.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule are determined on a biennial basis beginning with the fiscal years ended 2014 and 2015, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25 percent
Salary Increase	4.0 percent, average, including inflation
Investment Rate of Return	7.5 percent, net of pension plan investment expense, including inflation

OTHER SUPPLEMENTARY INFORMATION

CLINTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	BUILDING FUND	SEEK CAPITAL OUTLAY FUND	DISTRICT ACTIVITY FUND	CONSTRUCTION FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:					
Cash & Cash Equivalents			164,054	21,063	185,117
Accounts Receivable			1,500		1,500
TOTAL ASSETS	<u>0</u>	<u>0</u>	<u>165,554</u>	<u>21,063</u>	<u>186,617</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable			6,328		6,328
Total Liabilities	<u>0</u>	<u>0</u>	<u>6,328</u>	<u>0</u>	<u>6,328</u>
Fund Balances:					
Restricted for:					
Capital Projects				21,063	21,063
School Activities			159,226		159,226
Total Fund Balances	<u>0</u>	<u>0</u>	<u>159,226</u>	<u>21,063</u>	<u>180,289</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>0</u>	<u>0</u>	<u>165,554</u>	<u>21,063</u>	<u>186,617</u>

See independent auditor's report and accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	BUILDING FUND	SEEK CAPITAL OUTLAY FUND	DISTRICT ACTIVITY FUND	CONSTRUCTION FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:					
Taxes	249,668				249,668
Intergovernmental - State	359,996	155,725			515,721
Other Sources			276,565		276,565
TOTAL REVENUES	<u>609,664</u>	<u>155,725</u>	<u>276,565</u>	<u>0</u>	<u>1,041,954</u>
EXPENDITURES:					
Instructional			117,339		117,339
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>117,339</u>	<u>0</u>	<u>117,339</u>
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	609,664	155,725	159,226	0	924,615
OTHER FINANCING SOURCES(USES):					
Operating Transfers In					0
Operating Transfers Out	(609,664)	(155,725)			(765,389)
TOTAL OTHER FINANCING SOURCES(USES)	<u>(609,664)</u>	<u>(155,725)</u>	<u>0</u>	<u>0</u>	<u>(765,389)</u>
NET CHANGE IN FUND BALANCES	<u>0</u>	<u>0</u>	<u>159,226</u>	<u>0</u>	<u>159,226</u>
FUND BALANCES - BEGINNING				21,063	21,063
FUND BALANCES - ENDING	<u>0</u>	<u>0</u>	<u>159,226</u>	<u>21,063</u>	<u>180,289</u>

See independent auditor's report and accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	FUND BALANCE JULY 1, 2016	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2017
Clinton County High School	88,157	411,013	425,334	73,836
Early Childhood Center	4,886	65,154	62,551	7,489
Clinton County Middle School	47,496	187,524	202,710	32,310
Albany Elementary School	7,328	106,713	108,653	5,388
Total Activity Funds (Due to Student Groups)	<u>147,867</u>	<u>770,404</u>	<u>799,248</u>	<u>119,023</u>

See independent accountant's report and accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>CASH BALANCE JULY 1, 2016</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>CASH BALANCE JUNE 30, 2017</u>	<u>ACCOUNTS RECEIVABLE JUNE 30, 2017</u>	<u>ACCOUNTS PAYABLE JUNE 30, 2017</u>	<u>FUND BALANCE JUNE 30, 2017</u>
AP Classes	0	3,519	3,519	0			0
General	3,536	13,156	15,238	1,454			1,454
In Memory of Coach	0	1,255	0	1,255			1,255
Soft Drink Machines	1,485	2,110	3,595	0			0
Break Concessions	46	789	835	0			0
School Day Pictures	1,601	3,392	4,993	0			0
Student Parking	174	910	1,084	0			0
Student Lockers	574	1,180	1,754	0			0
Textbooks	854	228	1,082	0			0
Media	4,595	967	2,020	3,542			3,542
Library	201	0	201	0			0
Faculty	121	978	865	234			234
District Sweep	0	18,849	17,349	1,500			1,500
Reserved Seating Bleacher	0	3,810	3,810	0			0
Basketball Season Passes	0	1,890	1,890	0			0
B/G Basketball Calendar	0	2,750	2,750	0			0
Bulldog Parking	11	0	0	11			11
Interest Account	2,173	904	3,020	57			57
Athletic Fund	2,817	18,905	21,722	0			0
Athletic Concessions	432	29,301	24,851	4,882			4,882
Football	4,168	14,488	16,230	2,426			2,426
Volleyball	1,882	5,060	4,650	2,292			2,292
Boys Soccer	0	1,868	1,868	0			0
Girls Soccer	0	1,876	1,876	0			0
Boys Golf	0	592	592	0			0
Girls Golf	0	792	792	0			0
Cross Country	18	775	793	0			0
Archery	0	2,780	145	2,635			2,635
Boys Basketball	4,634	34,023	32,710	5,947			5,947
Girls Basketball	0	24,506	23,944	562			562
Girls BKB FL Trip	1,385	0	0	1,385			1,385
Baseball	2,266	16,241	18,339	168			168
Softball	134	8,839	6,618	2,355			2,355
Tennis	0	3,730	3,730	0			0
Cheerleaders	0	25,015	24,914	101			101
Athletic Tournaments	181	78	259	0			0
FFA	1,766	8,354	9,899	221			221
FFA Greenhouse	0	2,333	867	1,466			1,466
FCCLA	314	440	412	342			342
JROTC	133	13,954	12,840	1,247			1,247
Art Fund	0	130	130	0			0

Biology Fund	0	485	485	0			0
Chemistry Fund	0	410	410	0			0
Best Buddies Club	718	2,191	2,263	646			646
No Kid Hungry	0	1,715	1,715	0			0
Yearbook	11,340	38,307	42,597	7,050			7,050
Band	20	0	0	20			20
Beta Club	1,424	935	0	2,359			2,359
Spirit Club	142	0	142	0			0
English Club	44	0	0	44			44
History Club	1,076	2,289	2,525	840			840
Math Club	480	0	0	480			480
Spanish Club	406	1,644	1,585	465			465
KYA/KUNA	822	4,561	5,051	332			332
NTHS	48	260	240	68			68
180 Club	854	1,942	1,138	1,658			1,658
Senior Class	0	25,544	24,311	1,233			1,233
Junior Class	0	5,125	3,913	1,212			1,212
Scholarship Fund	0	7,500	7,500	0			0
CCHS Football Booster	12,364	17,842	30,206	0			0
CCHS Volleyball Booster	2,573	11,772	6,543	7,802			7,802
Boys Soccer Booster	413	1,431	1,185	659			659
Girls Soccer Booster	413	1,410	1,200	623			623
Boys Golf Booster	1,717	7,216	7,464	1,469			1,469
Girls Golf Booster	2,915	7,147	6,420	3,642			3,642
Archery Booster	4,260	2,900	4,550	2,610			2,610
Boys Basketball Booster	4,482	6,315	10,288	509			509
Girls Basketball Booster	762	6,573	6,328	1,007			1,007
Baseball Booster	2,834	13,563	13,640	2,757			2,757
Softball Booster	2,549	10,830	11,110	2,269			2,269
Total All Funds	88,157	450,674	464,995	73,836	0	0	73,836
Interfund Transfers	0	(39,661)	(39,661)	0	0	0	0
Total	88,157	411,013	425,334	73,836	0	0	73,836

CLINTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	PASS THROUGH NUMBER (if applicable)	MUNIS PROJECT NUMBER	EXPENDITURES
<u>U.S. Department of Education</u>				
Passed-Through Department of Education				
Title I - Parent Involvement	84.010	3100002	310BM	34,698
Title I - Parent Involvement	84.010	3100002	310CM	6,077
Title I - Neglected & Delinquent	84.010	3100102	314B	17,187
Title I - Neglected & Delinquent	84.010	3100102	314C	106,816
Title I - Grants to Local Educational Agencies	84.010	3100002	310B	164,243
Title I - Grants to Local Educational Agencies	84.010	3100002	310BD	7,285
Title I - Grants to Local Educational Agencies	84.010	3100002	310C	494,358
Title I - Grants to Local Educational Agencies	84.010	3100002	310CD	348
Title I Cluster				831,012
Title II - Part A -Teacher Quality Enhancement Grants	84.367	3230002	401C	125,565
IDEA - Special Education - Grants to State	84.027	3810002	337B	34,360
IDEA - Special Education - Grants to State	84.027	3810002	337C	312,676
IDEA - Special Education - Preschool Grants	84.173	3800002	343C	24,763
Special Education Cluster				371,799 *
21st Century Learning Center	84.287	3400002	550AH	12,145
21st Century Learning Center	84.287	3400002	550BC	67,561
21st Century Learning Center	84.287	3400002	550BH	61,534
21st Century Learning Center	84.287	3400002	550BJ	1,244
21st Century Learning Center	84.287	3400002	550BU	10,000
21st Century Learning Center Total				152,484
Migrant Education - State Grant Program	84.011	3110002	311B	33,572
Migrant Education - State Grant Program	84.011	3110002	311C	49,070
Migrant Education Total				82,642
Title IV - Rural and Low Income Schools	84.358	3140002	350B	8,954
Title IV - Rural and Low Income Schools	84.358	3140002	350C	33,926
Title IV - Rural and Low Income Schools Total				42,880
Perkins Voc.	84.048	3710002	348C	10,484
Adult Education	84.048	3710002	365C	12,859
Adult Education	84.048	3710002	373C	30,595
Career & Technical Education Total				53,938
Passed Through Berea College				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379BA	379BA	5,441
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379BG	379BG	3,940
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379CA	379CA	54,553
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379CG	379CG	71,612
Gaining Early Awareness and Readiness for Undergraduate Programs Total				135,546
Total U.S. Department of Education				1,795,866
<u>U.S. Department of Defense</u>				
ROTC	12.404	Direct	504C	66,589
<u>U.S. Department of Agriculture</u>				
Passed-Through State Department of Education				
National School Lunchroom	10.555	7750002-16	7750002-16	185,386
National School Lunchroom	10.555	7750002-17	7750002-17	633,812
School Breakfast Program	10.553	7760005-16	7760005-16	88,142
School Breakfast Program	10.553	7760005-17	7760005-17	302,536
Summer Food Service Program	10.559	7690024-16	7690024-16	2,116
Summer Food Service Program	10.559	7690024-17	7690024-17	169
Summer Food Service Program	10.559	7740023-16	7740023-16	10,398
Summer Food Service Program	10.559	7740023-17	7740023-17	1,638
State Administrative Expenses	10.579	784027-15	784027-15	25,000
Child Nutrition Cluster				1,249,197 *
Child & Adult Care Food Program	10.558	7790021-16	7790021-16	6,396
Child & Adult Care Food Program	10.558	7790021-17	7790021-17	36,741
Child & Adult Care Food Program	10.558	7800016-16	7800016-16	466
Child & Adult Care Food Program	10.558	7800016-17	7800016-17	2,674
Child & Adult Care Food Program Total				46,277
Food Distribution	10.565	057502-10	057502-10	80,305
Total U.S. Department of Agriculture				1,375,779
Total Federal Financial Assistance				3,238,234

* Tested as major program

CLINTON COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Clinton County School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Clinton County School District, it is not intended to and does not present the financial position, changes in net asset, or cash flows of Clinton County School District.

NOTE B – FOOD DISTRIBUTION

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – DE MINIMIS COST RATE

The District did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

CLINTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditor’s report issued on compliance for major programs (unmodified):

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.555/10.553/10.559	Child Nutrition Cluster
84.027/84.173	IDEA Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

CLINTON COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2017

2016-001

Criteria:

The District is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

Condition:

The District does not have the internal control procedures required to draft the financial statements in conformity with generally accepted accounting principles.

Cause:

The district lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures.

Effect:

Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

Recommendation:

It was recommended management review the cost and benefits involved to retain a consultant with the required expertise to prepare the financial statements or review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

Management Response:

Management has determined that it is more cost effective to continue to engage the auditor to draft the financial statements and related notes.

Current Year Status:

Management has not retained a consultant to draft the financial statements and do not believe that they need to. The designated individuals accepting responsibility for the financial statements do not need to have the expertise to perform (or re-perform) the drafting of the financial statements and related notes but they must possess the skill, knowledge, or experience to be able to accept responsibility for the financial statements. Management has demonstrated that they have the knowledge and experience to be able to review the financial statements and related notes and accept responsibility for them. Therefore, retention of a consultant is not necessary.

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October 27, 2017

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Board of Education
Clinton County School District
Albany, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Clinton County School District's basic financial statements, and have issued our report thereon dated October 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clinton County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clinton County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clinton County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clinton County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Clinton County School District in a separate letter dated October 27, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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October 27, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Members of the Board of Education
Clinton County School District
Albany, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Clinton County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Clinton County School District's major federal programs for the year ended June 30, 2017. Clinton County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Clinton County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clinton County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Clinton County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Clinton County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Clinton County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clinton County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clinton County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Clinton County School District's basic financial statements. We issued our report thereon dated October 27, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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October 27, 2017

MANAGEMENT LETTER

Members of the Board of Education
Clinton County School District
Albany, Kentucky

In planning and performing our audit of the financial statements of Clinton County School District for the year ended June 30, 2017, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

Prior Year District Recommendation:

2016-01 Prior Year Recommendation:

Capital assets should be recorded and reported at their historical cost and reconcile the asset data between MUNIS Fixed Assets and General Ledger module on a periodic basis per KDE GASB 34 Capital Asset Guide. This is a repeat finding.

All fixed assets meeting the threshold purchased at the school level should be reported to central office for proper recording.

Current Year Status:

All fixed assets were properly recorded within Fund 8 and 81 within MUNIS by the District.

Prior Year School Activity Fund Recommendations:

Clinton County High School:

2016-01 Prior Year Recommendation:

Cash prizes are disallowed expenditures. Testing revealed cash prizes given to a winner of a gold tournament.

Current Year Status:

No instances of cash prizes being given as awards were found.

2016-02 Prior Year Recommendation:

Operating costs should not be made out of school activity funds. Testing disclosed multiple instances of payments made for operational costs.

Current Year Status:

While some operating costs were paid out of the activity fund accounts, the District was billed for these costs and properly reimbursed the activity fund accounts.

2016-03 Prior Year Recommendation:

Purchases of fixed assets with school activity funds require notification of the district finance officer, who will give the proper procedures for each fixed asset purchase. Testing disclosed multiple instances of fixed assets purchase without the district finance officer being notified.

Current Year Status:

No instances were found where fixed assets were purchased at the school level without the disbursement being approved by the District.

2016-04 Prior Year Recommendation:

All checks shall contain the signatures of the principal's designee and the school treasurer. Testing disclosed multiple checks clearing the bank with only one signature.

Current Year Status:

All checks tested contained two proper signatures.

2016-05 Prior Year Recommendation:

The Sales from Concessions/Bookstore/School Store/Pencil Machine Form (Form F-SA-17) is to be used each time money is collected from these activities and turned in with the money to the school treasurer. Testing disclosed Form F-SA-17 was not being used.

Current Year Status:

No instances were found in the current year where the proper form was not being used for these activities.

2016-06 Prior Year Recommendation:

Each club, organization and activity account shall prepare a tentative budget for the next school year on the Individual Activity Account Budget Worksheet (Form F-SA-4A). The principal shall prepare the Principal's Combining Budget (Form F-SA-3). The Combining Budget and the Individual Activity Account Budget Worksheets are due to the district finance officer by May 15. Testing disclosed budgets were not completed and submitted to the district finance officer by May 15.

Current Year Status:

Budgets were prepared as required.

2016-07 Prior Year Recommendation:

Amounts may be transferred between activity accounts only by proper completion of a Transfer Form (Form F-SA-10). The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form. Testing disclosed transfers were not signed by sponsor remitting funds.

Current Year Status:

Appropriate signatures were on the transfer forms.

Clinton County Middle School:

2016-01 Prior Year Recommendation:

During testing, an instance of a lunch for staff was expensed through the student activity funds general account. Gifts, services, or donations to district employees or external support/booster organizations, are not allowed unless using staff generated funds.

Current Year Status:

No instances of expenditures for staff were noted that were not from a staff generated fund account.

2016-02 Prior Year Recommendation:

Operating costs should not be made out of school activity funds. Testing disclosed multiple instances of payments made for operational costs.

Current Year Status:

While some operating costs were paid out of the activity fund accounts, the District was billed for these costs and properly reimbursed the activity fund accounts.

2016-03 Prior Year Recommendation:

Each club, organization and activity account shall prepare a tentative budget for the next school year on the Individual Activity Account Budget Worksheet (Form F-SA-4A). The principal shall prepare the Principal's Combining Budget (Form F-SA-3). The Combining Budget and the Individual Activity Account Budgets Worksheets are due to the district finance officer by May 15. Testing disclosed budgets were not completed and submitted to the district finance officer by May 15.

Current Year Status:

Budgets were prepared as required.

Albany Elementary School:

2016-01 Prior Year Recommendation:

Testing noted one instance of a purchase approved after being obligated. Purchase orders should be completed prior to all purchases.

Current Year Status:

No such instances were noted at Albany Elementary School.

2016-02 Prior Year Recommendation:

Operating costs should not be made out of school activity funds. Testing disclosed multiple instances of payments made for operational costs.

Current Year Status:

While some operating costs were paid out of the activity fund accounts, the District was billed for these costs and properly reimbursed the activity fund accounts.

2016-03 Prior Year Recommendation:

All checks shall contain the signatures of the principal's designee, and the school treasurer. Testing disclosed multiple checks clearing the bank with only one signature.

Current Year Status:

All checks tested contained two proper signatures.

2016-04 Prior Year Recommendation:

Each club, organization and activity account shall prepare a tentative budget for the next school year on the Individual Activity Account Budget Worksheet (Form F-SA-4A). The principal shall prepare the Principal's Combining Budget (Form F-SA-3). The Combining Budget and the Individual Activity Account Budget Worksheets are due to the district finance officer by May 15. Testing disclosed budgets were not completed and submitted to the district finance officer by May 15.

Current Year Status:

Budgets were prepared as required.

2016-05 Prior Year Recommendation:

Teachers, sponsors, or students shall use the Multiple Receipt Form (Form F-SA-6) or pre-numbered receipts when collecting money. Testing disclosed multiple receipt form was not used when collecting money from students.

Current Year Status:

No such instances were found during current year testing.

Early Childhood Center:

2016-01 Prior Year Recommendation:

Operating costs should not be made out of school activity funds. Testing disclosed multiple instances of payments made for operational costs.

Current Year Status:

While some operating costs were paid out of the activity fund accounts, the District was billed for these costs and properly reimbursed the activity fund accounts.

2016-02 Prior Year Recommendation:

Purchase order (Form F-SA-7) must be used to initiate a purchase. Testing disclosed multiple instances purchase orders were not used to initiate a purchase.

Current Year Status:

No disbursements for this school were found to not have a properly approved purchase order or standard invoice.

2016-03 Prior Year Recommendation:

Each club, organization and activity account shall prepare a tentative budget for the next school year on the Individual Activity Account Budget Worksheet (Form F-SA-4A). The principal shall prepare the Principal's Combining Budget (Form F-SA-3). The Combining Budget and the Individual Activity Account Budget Worksheets are due to the district finance officer by May 15. Testing disclosed budgets were not completed and submitted to the district finance office by May 15.

Current Year Status:

Budgets were prepared as required.

Current Year Recommendations:

2017-1 Current Year Recommendation:

During the course of the audit, it was noted that a check was written to an individual for start-up funds for concessions at Clinton County Middle School. The disbursement was not supported by a properly approved standard invoice that stated the purpose of the disbursement.

Managements Response:

The Director of Finance met with both the principal and financial bookkeeper and discussed Redbook requirements in regard to supporting documentation. The Director of Finance is monitoring documentation to ensure compliance with Redbook.

2017-2 Current Year Recommendation:

While reviewing student activity funds at Clinton County Middle School, it was noted that a referee was paid; however, a properly signed standard invoice was not prepared to support the disbursement.

Managements Response:

The Director of Finance retrained the principal and financial bookkeeper on the process for preparation and completion of standard invoices. The Director of Finance is monitoring to ensure compliance with Redbook requirements.

2017-3 Current Year Recommendation:

During the review of receipts for Clinton County Middle School and Clinton County High School, it was noted that funds were collected from students. Multiple receipt forms were completed to support the funds received. However, the multiple receipt form was prepared by the teacher or sponsor and did not contain the signature of the students remitting payment as required by Redbook for students third grade and above.

Management Response:

The Director of Finance discussed with the principals and financial bookkeepers the correct procedure for successful completion of multiple receipt forms. The principals met with their staff and retrained them on how to complete multiple receipt forms. The Director of Finance is monitoring to ensure compliance with Redbook requirements.

2017-4 Current Year Recommendation:

During the review of student activity fund disbursements at Clinton County Middle School, it was noted that two items purchased with the school's credit card were not supported by a properly approved purchase order that was prepared prior to the charges to the credit card. At Clinton County High School, it was also noted that a disbursement was made prior to the preparation and approval of a purchase order.

Management Response:

The Director of Finance reviewed purchase order requirements with principals and financial bookkeepers. They understand the seriousness of purchases without prior approval. The Director of Finance is monitoring to ensure compliance with Redbook requirements.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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October 27, 2017

Members of the Board of Education
Clinton County School District
Albany, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton County School District for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 28, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Auditing Findings:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Clinton County School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by Clinton County School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management had corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Clinton County School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Clinton County School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 42 and 43, or on the schedules of the district's proportionate share of net pension liabilities on pages 44 and 45, or on the schedules of contributions to the County Employees Retirement Plan and the Teachers Retirement System on pages 46 and 47, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of Members of the Board of Education and management of Clinton County School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants